ZHIDAO INTERNATIONAL (HOLDINGS) LIMITED
志道國際(控股)有限公司 *

(Incorporated in Bermuda with limited liability)
(Stock code : 01220)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2014

The board of directors (the "**Board**") of Zhidao International (Holdings) Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2014 (the "**Year**"), together with the comparative figures for the corresponding period in 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 March	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**139,091**	202,789
Cost of sales		**(128,382)**	(176,929)
Gross profit		**10,709**	25,860
Other income and gain	*4*	**86**	123
Impairment of goodwill	*5*	**(670)**	—
Impairment of trade receivables	*5, 9*	**(6,000)**	—
General and administrative expenses		**(9,873)**	(11,424)
(LOSS)/PROFIT BEFORE TAX	*5*	**(5,748)**	14,559
Income tax expense	*6*	**(756)**	(854)
(LOSS)/PROFIT FOR THE YEAR		**(6,504)**	13,705

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

		For the year ended 31 March	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
(LOSS)/PROFIT FOR THE YEAR		**(6,504)**	13,705
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(49)**	301
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(49)**	301
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(6,553)**	14,006
(Loss)/profit attributable to:			
Owners of the Company		**(6,504)**	13,705
Non-controlling interests		—	—
		(6,504)	13,705
Total comprehensive income attributable to:			
Owners of the Company		**(6,553)**	14,006
Non-controlling interests		—	—
		(6,553)	14,006
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK$ (0.01)**	HK$ 0.02
Diluted		**HK$ (0.01)**	HK$ 0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31March	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**316**	357
Goodwill		**573**	1,243
Intangible assets		**252**	252
Retention receivables		—	19,993
Total non-current assets		**1,141**	21,845
CURRENT ASSETS			
Inventories		**843**	693
Trade receivables	*9*	**98,925**	103,351
Prepayments, deposits and other receivables	*10*	**4,212**	36,909
Retention receivables		**19,993**	1,441
Amounts due from customers on construction contracts		—	—
Cash and cash equivalents		**37,862**	37,965
Total current assets		**161,835**	180,359
CURRENT LIABILITIES			
Trade payables	*11*	**862**	18,393
Other payables and accruals	*12*	**3,836**	2,777
Retention payables		**650**	—
Dividend payables	*13*	**10,070**	5,550
Tax payables		**361**	424
Total current liabilities		**15,779**	27,144
NET CURRENT ASSETS		**146,056**	153,215
TOTAL ASSETS LESS CURRENT LIABILITIES		**147,197**	175,060
NON-CURRENT LIABILITY			
Retention payables		—	16,790
Total non-current liability		—	16,790
Net assets		**147,197**	158,270
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**16,500**	16,500
Reserves		**130,727**	141,800
Total shareholders' fund		**147,227**	158,300
Non-controlling interests		**(30)**	(30)
Total equity		**147,197**	158,270

Notes:

1. CORPORATE INFORMATION

Zhidao International (Holdings) Limited (the "**Company**") is a limited liability company incorporated in Bermuda on 8 July 1997. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is situated at Unit C&D, 16th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.

The principal activity of the Company has not changed during the year and consisted of investment holdings. The Group is principally engaged in trading of aluminium products and raw materials and in supply of aluminium products to construction projects.

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 23 September 1997.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the disclosure requirements of the predecessor Hong Kong Companies Ordinance, Cap. 32. They have been prepared under the historical cost convention. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries in the annual report. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs, which are applicable to the Group, for the first time for the current year's consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Government Loans
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 - Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 36 Amendments	Amendments to HKAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvement 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKAS 1 Amendments, HKFRS 10, HKFRS 13 and HKFRS 10, HKFRS 11 and HKFRS 12 Amendments, the adoption of these new and revised HKFRSs has had no significant financial effect on the consolidated financial statements of the Group.

The principal effects of adopting these new and revised HKFRSs are as follows:

(i) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and had no impact on the Group's financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these consolidated financial statements.

(ii) HKFRS 10 replaces the portion of HKAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 "Consolidation – Special Purpose Entities". It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor mush have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 April 2013.

(iii) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

(iv) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

HKFRS 9	Financial Instruments [3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKFRS 39 [3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) - Investment Entities [1]
HKFRS 14	Regulatory Deferral Accounts [4]
HKAS 19 Amendments	Amendments to HKAS 19 Employee Benefits – Defined Benefits Plans: Employee Contributions [2]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities [1]
HKAS 39 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting [1]
HK(IFRIC) - Int 21	Levies [1]
Amendments to HKFRSs	Annual improvement to HKFRSs 2010-2012 cycle [2]
Amendments to HKFRSs	Annual improvement to HKFRSs 2011-2013 cycle [2]

[1] *Effective for annual periods beginning on or after 1 January 2014*
[2] *Effective for annual periods beginning on or after 1 July 2014*
[3] *Effective for annual periods beginning on or after 1 January 2015*
[4] *Effective for annual periods beginning on or after 1 January 2016*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the trading of aluminium products segment – sales of aluminium products; and

(b) the construction projects segment - supply of aluminium products in the construction projects.

The Group's chairman, who is the chief operating decision maker, monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

Year ended 31 March 2014	**Trading of aluminium products HK$'000**	**Construction projects HK$'000**	**Total HK$'000**
Segment revenue:			
Sales to external customers	133,897	5,194	139,091
Segment results	4,586	(8,000)	(3,414)
Interest income			2
Corporate and other unallocated expenses			(2,336)
Loss before tax			(5,748)
Segment assets	86,069	39,045	125,114
Corporate and other unallocated assets			37,862
Total assets			162,976
Segment liabilities	1,238	3,811	5,049
Corporate and other unallocated liabilities			10,730
Total liabilities			15,779
Other segment information:			
Impairment of trade receivables	—	6,000	6,000
Impairment of goodwill	—	670	670
Capital expenditure *	—	3	3
Depreciation of property, plant and equipment	—	43	43

*The capital expenditure included additions of property, plant and equipment.

Year ended 31 March 2013	Trading of aluminium products HK$'000	Construction projects HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	93,361	109,428	202,789
Segment results	4,919	12,616	17,535
Interest income			8
Corporate and other unallocated expenses			(2,984)
Profit before tax			14,559
Segment assets	81,657	82,582	164,239
Corporate and other unallocated assets			37,965
Total assets			202,204
Segment liabilities	1,261	36,398	37,659
Corporate and other unallocated liabilities			6,275
Total liabilities			43,934
Other segment information:			
Capital expenditure *****	—	67	67
Depreciation of property, plant and equipment	—	177	177

*The capital expenditure included additions of property, plant and equipment.

Geographical information

	2014 ***HK$'000***	2013 *HK$'000*
(a) Revenue from external customers		
Hong Kong	**1,874**	6,727
Mainland China	**137,217**	196,062
	139,091	202,789
(b) Non-current assets		
Hong Kong	**252**	20,245
Mainland China	**316**	357
	568	20,602

The non-current asset information of continuing operations above is based on the locations of the assets (excluded goodwill).

Information about major customer

Revenue from customers of the corresponding years contributing over 10% of the total revenue are as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A[1]	**85,710**	59,900
Customer B[1]	**44,064**	30,422
Customer C[2]	**—**	96,550

[1] Revenue from trading of aluminium products segment

[2] Revenue from construction projects segment

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and an appropriate proportion of contract revenue of construction contracts during the Year.

An analysis of revenue, other income and gains is as follows:

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Trading of aluminium products	**133,897**	93,361
Construction projects	**5,194**	109,428
Total revenue	**139,091**	202,789
Other income and gains		
Interest income	**2**	8
Others	**84**	115
Total other income and gains	**86**	123
Total revenue, other income and gains	**139,177**	202,912

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	2014	2013
	HK$'000	*HK$'000*
Cost of construction and inventories sold *	**128,382**	176,929
Auditors' remuneration	**550**	600
Depreciation	**43**	177
Impairment of goodwill	**670**	—
Impairment of trade receivables	**6,000**	—
Foreign exchange difference, net	**41**	26
Employee benefits expenses (including directors' remuneration):		
— Wages and salaries	**6,355**	7,032
— Pension scheme contributions	**272**	233
	6,627	7,265
Minimum lease payments under operating leases on land and buildings	**1,229**	1,238
Interest income	**(2)**	(8)

* The depreciation of the property, plant and equipment of approximately HK$28,000 (2013: HK$170,000) for the Year are included in the "cost of construction and inventories sold" in the consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the Year.

PRC enterprise income tax is calculated at 25% (2013: 25%) on the estimated assessable profits for the Year.

	2014	2013
	HK$'000	*HK$'000*
Current tax - Hong Kong		
Charge for the year	**746**	795
Current tax - PRC		
Charge for the year	**—**	41
Under-provision in prior years	**10**	18
Total tax charge for the year	**756**	854

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2014	2013
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(5,748)**	14,559
Tax at the statutory tax rates	**(1,059)**	2,399
Income not subject to tax	—	(15,931)
Expenses not deductible for tax	**1,318**	13,205
Tax loss not recognised	**499**	1,175
Tax effect of temporary differences	**(2)**	(2)
Under-provision in previous years	**10**	18
Tax reduction for the year of assessment	**(10)**	(10)
Tax charge at effective tax rate	**756**	854

The Group had deferred tax benefits not recognised in respect of tax losses available for offsetting future assessable profits calculated at the rate of 16.5% as follows:

	2014	2013
	HK$'000	*HK$'000*
Tax losses	**12,277**	9,255

7. DIVIDENDS

Except for the accrual of cumulative preferential share dividend of HK$4,520,000 (2013: HK$5,550,000) during the Year, no dividend has been declared or paid by the Company for the ordinary shareholders during the Year (2013: Nil).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculations of basic (loss)/earnings per share are based on:

	2014	2013
	HK$'000	*HK$'000*
(Loss)/Earnings		
(Loss)/profit for the year attributable to ordinary equity holders of the Company, used in the basic (loss)/earnings per share calculation	**(6,504)**	13,705

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in basic (loss)/earnings per share calculation	**800,000,000**	800,000,000

The calculation of diluted (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares used in the basic (loss)/earnings per share calculation, as adjusted for the weighted average number of convertible preference shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of diluted (loss)/earnings per share for the years ended 31 March 2014 and 2013 is based on:

	2014	2013
	HK$'000	*HK$'000*
(Loss)/Earnings		
(Loss)/profit for the year attributable to ordinary equity holders of the Company, used in the basic (loss)/earnings per share calculation	**(6,504)**	13,705

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in basic (loss)/earnings per share calculation	**800,000,000**	800,000,000
Effect on dilution – weighted average number of ordinary shares		
Convertible preference shares*	**-**	850,000,000
Weight average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**800,000,000**	1,650,000,000

* The convertible preference shares had an anti-diluted effect on the basic loss per share for the Year.

9. TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**104,925**	103,351
Impairment	**(6,000)**	—
Net carrying amounts	**98,925**	103,351

(a) The movement in the provision for impairment of trade receivables are as follows:

	2014	2013
	HK$'000	*HK$'000*
At 1 April	—	—
Impairment loss recognised	**6,000**	—
At 31 March	**6,000**	—

The above provision of impairment of trade receivables is a provision for an individually impaired trade receivables with a carrying amount before provision of approximately HK$17,303,000 (2013: Nil) as at 31 March 2014.

(b) The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

The Group allows a credit period normally 0 to 90 days (2013: 0 to 90 days) to its trade customers. An aging analysis of the trade receivables as at the end of the reporting period, based on the date of invoice, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**27,252**	34,755
1 to 2 months	**15,750**	—
2 to 3 months	—	—
Over 3 months	**55,923**	68,596
Trade receivables	**98,925**	103,351

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**43,002**	34,755
Less than 1 month past due	**—**	—
1 to 3 months past due	—	15,722
Over 3 months past due	**44,620**	52,874
	87,622	103,351

Receivables that were neither past due nor impaired relate to a few customers for whom there was no recent history default.

Receivables that were past due but not impaired relate to a few independent customers and the Group has a high concentration of credit risk accordingly. Based on the past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Prepayments	**61**	92
Trade deposits	**5,017**	34,047
Utility deposits	**476**	471
Other receivables	**214**	3,855
	5,768	38,465
Less: Impairment	**(1,556)**	(1,556)
	4,212	36,909

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**—**	715
1 to 2 months	—	—
2 to 3 months	—	138
Over 3 months	**862**	17,540
	862	18,393

The trade payables are non interest bearing and are normally settled on 30 to 60-day terms.

12. OTHER PAYABLES AND ACCRUALS

	2014	2013
	HK$'000	*HK$'000*
Other payables	**3,086**	2,040
Accruals	**750**	737
	3,836	2,777

13. DIVIDEND PAYABLES

The preference shares shall carry a fixed cumulative preferential dividend at a rate of 4% per annum on the initial subscription price of HK$0.133 each out of the funds of the Company available for distribution. The cumulative preferential share dividend of HK$10,070,000 (2013: HK$5,550,000) has been accrued as at 31 March 2014.

14. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

At 31 March 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**1,128**	1,378
2 – 5 years, inclusive	**119**	1,247
	1,247	2,625

15. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 14 above, the Group had the following capital commitments at the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Capital contributions payable to a non-wholly owned subsidiary	**30,000**	30,000

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

While the global economy started to recover, the year of 2013/14 was a challenging period for the Group. Turnover of the Group for the period was HK$139.1 million, or a drop of 31.4% to that of HK$202.8 million for 2012/13. Gross profit of the Group dropped from HK$25.9 million of 2012/13 to HK$10.7 million this year. The Group realized a loss attributable to owners of the Company of HK$6.5 million, compared to a profit attributable to owners of the Company of HK$13.7 million last year.

During the first half year of 2013/14, because of the slow growth in both the global and Chinese economies, the management has developed and implemented an adjusted strategy of focusing on higher-margin aluminium related trading business. The Group recorded a turnover of the trading of aluminium products segment of HK$133.9 million, a 43.4% increase compared to that in 2012/13. The segment of trading of aluminium products resulted a profit of HK$4.6 million for the year.

The Group continued facing keen competition in the supply of aluminium products industry in Hong Kong, though the construction market in Hong Kong flourished with a large number of projects commissioned in the public sector during the year. Amidst the competitive operating environment, the Group has been and will be trying to capture projects with higher margin from the market. With the sluggish property development market in China, the Group recorded a decreased turnover for the construction projects segment of HK$5.2 million, approximately 95.3% lower than that in 2012/13. The segment of construction projects recorded a loss of HK$8.0 million for the year, compared to a profit of HK$12.6 million in 2012/13.

Prospects

In 2014/15, the management believes that the world economy will continue its trend of slow recovery. The growth of Chinese economy will remain positive. The acceleration of the urbanization in China will continue to create opportunities in the property development sector as well as construction materials businesses. The Group has core competence in the construction project supply business. We are optimistic about the long term development of the PRC's property market and will continue seeking opportunities in this segment, in Hong Kong and China. We believe, with due caution on the rising material and labour costs, the construction projects segment will contribute more to our profitability.

The segment of trading of aluminium product is strategic to the Group's overall plan. Through the expansion of trading business, the Group has been able to secure new customers and new sources of raw material supplies. The Group will continue deploying its trading network in managing its customer base and cost structure.

As part of the Group's business plan, the management continued to explore and evaluate new businesses and investment opportunities which could be of potential and long-term benefit to the Group. The management will take a conservative approach in the evaluation of potential investments and constantly review the Group's strategies and operations with a view to improve its business performance.

Scope of Work of Auditors

The figures in respect of the preliminary announcement of the Group's results for the Year have been agreed by the Group's auditors, Ascenda Cachet CPA Limited ("**Ascenda Cachet**"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Ascenda Cachet in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ascenda Cachet on the preliminary announcement.

Liquidity, Financial Resources and Capital Structure

As at 31 March 2014, the Group had bank balances and cash of HK$37.9 million (2013: HK$38.0 million) while total net assets was HK$147.2 million (2013: HK$158.3 million). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was nil as at 31 March 2014 (2013: nil).

Tthe Company did not have any movements in its share capital during the Year.

Foreign Exchange Exposure

As at 31 March 2014, the majority of the Group's assets and liabilities were denominated in Hong Kong dollars. The Board considered its exposure to foreign exchange risk was insignificant, therefore no financial instruments was made to hedge such exposure.

Dividends

Except for the accrual of undeclared cumulative preferential share dividend of HK$4,520,000 (2013: HK$5,550,000) during the Year, no dividend has been paid or declared by the Company for the ordinary shareholders during the Year (2013: Nil).

Significant Investments and Material Acquisitions

The Company did not have any significant investments or material acquisitions for the Year.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2014.

Commitments

Details of the commitments are set out in notes 14 and 15.

Employees and Remuneration Policy

As at 31 March 2014, the Group had 45 (2013: 57) employees. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, the Group's performance, and individual qualifications and performance.

The emolument policy for the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the remuneration committee, having regard to the Group's operating results, individual performance and comparable market statistics.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors of the Company, the Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Year.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company complied with the code provisions as stipulated in Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules throughout the Year except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any office with the title "chief executive officer". The Board is of the view that currently vesting the roles of chairman and chief executive officer in Mr. Tung Yee Shing provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.zdihl.com). The 2014 Annual Report will be despatched to our shareholders on or before 31 July 2014 and will be available at the websites of the Stock Exchange and the Company.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "**Annual General Meeting**") will be held on 29 August 2014. A circular containing the notice of the Annual General Meeting will be published on the Company's website and the Stock Exchange's website and sent to the shareholders of the Company in due course.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee comprising of the three independent non-executive directors, namely Mr. Choi Wing Koon, Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson, with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are (i) to review, in draft form, the Company's annual report and accounts, and half-yearly report and providing advice and comments thereon to the Board; and (ii) to review and supervise the Company's financial reporting and internal control procedures. Mr. Choi Wing Koon is the chairman of the audit committee.

The Audit Committee had reviewed the consolidated financial statements of the Group for the Year, including the accounting principles and practices adopted by the Group and the adequacy of internal control system. The Committee is satisfied with the review and the Board is also satisfied with the Committee's report.

By order of the Board
Zhidao International (Holdings) Limited

Tung Yee Shing
Chairman

Hong Kong, 27 June 2014

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Tung Yee Shing (Chairman) and Ms. Cheung Oi Chun, and three independent non-executive Directors, namely Mr. Choi Wing Koon, Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson.

** For identification purposes only*